

## Message Text

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ORIGIN EB-07

INFO OCT-01 ISO-00 SS-15 SSO-00 CCO-00 /023 R

DRAFTED BY EB/OPF:JAFERCH/PDTAYLOR:JO

APPROVED BY EB:JLKATZ

S - MR PASSAGE

S/S - MR. BRIDGES

E - MR MINNIES

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 249575 TOSEC 290046

STADIS////////////////////////////////

TO ROGERS FOR THE SECRETARY FROM KATZ

E.O. 11652: GDS

TAGS: EAGR, EPAP

SUBJECT: ACTION MEMORANDUM: MEAT IMPORT ISSUE REACHING  
CRISIS POINT (S/S 7620989)

PROBLEM

BECAUSE OF FAILURE TO RESOLVE THE MAYAGUEZ FOREIGN  
TRADE ZONE MEAT IMPORT PROBLEM AND OF CONTINUED DEPRESSED  
CATTLE PRICES, STRONG POLITICAL PRESSURE IS BEING EXERTED  
UPON THE PRESIDENT TO IMPOSE MEAT IMPORT QUOTAS. THE  
DEPARTMENT OF AGRICULTURE IS CONTRIBUTING SIGNIFICANTLY  
TO THIS PRESSURE. THE THREAT OF QUOTAS ARISES FROM THE  
REQUIREMENT IN THE MEAT IMPORT ACT OF 1964 THAT THE  
SECRETARY OF AGRICULTURE MAKE QUOTA ESTIMATES OF FORTH-  
COMING MEAT IMPORTS. WHEN THAT ESTIMATE PASSES A  
"TRIGGER LEVEL" AS DETERMINED IN THE ACT, THE PRESIDENT  
IS REQUIRED TO IMPOSE QUOTAS. AVAILABLE EVIDENCE  
SUPPORTS A FOURTH QUARTER ESTIMATE NEAR THE TRIGGER  
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LEVEL. WE BELIEVE THAT ACTING IN GOOD FAITH, ONE CAN

ARRIVE AT AN ESTIMATE BELOW THE TRIGGER LEVEL. THE DEPARTMENT OF AGRICULTURE, HOWEVER, IS DETERMINED TO MAKE AN ESTIMATE THAT WOULD TRIGGER QUOTAS.

#### BACKGROUND

A WORKING GROUP FROM STATE, AGRICULTURE AND STR HAS BEEN PREPARING THIS WEEK AN OPTIONS PAPER ON THE MEAT ISSUE. THE OPTIONS ARE:

1. A DIPLOMATIC APPROACH, COUPLED WITH DOMESTIC MEASURES, THAT AVOIDS QUOTAS;
2. QUOTAS AT THE LEVEL CURRENTLY SET BY THE VOLUNTARY RESTRAINT PROGRAM; AND
3. QUOTAS SET ABOVE THE VOLUNTARY RESTRAINT LEVEL THAT PROVIDE FOR ALL LIKELY IMPORTS.

OUR PREFERRED OPTION IS OBVIOUSLY THE FIRST. IN THIS POSITION WE ARE STRONGLY SUPPORTED BY STR. UNDER THIS OPTION THE PRESIDENT WOULD PERSONALLY SEEK THE COOPERATION OF PRIME MINISTER FRASER IN REDUCING AUSTRALIAN EXPORTS. THE STATE DEPARTMENT WOULD MAKE SIMILAR APPROACHES TO OTHER PRODUCERS TO TERMINATE SHIPMENTS TO MAYAGUEZ. NEGOTIATIONS FOR A 1977 VOLUNTARY RESTRAINT PROGRAM WOULD BEGIN NO LATER THAN NOVEMBER 15. THE PRESIDENT WOULD ANNOUNCE THAT HE WILL INTRODUCE REMEDIAL LEGISLATION IN THE NEXT CONGRESS TO DEAL WITH FOREIGN TRADE ZONES AND OTHER MEASURES WOULD BE ANNOUNCED TO INCREASE GOVERNMENT PURCHASES OF BEEF AND OTHERWISE STIMULATE BEEF SALES.

OPTION 2, BY SETTING THE OVERALL QUOTA LEVEL AT 1,233 MILLION POUNDS WOULD PERMIT ALL COUNTRIES WITH WHICH WE HAVE RESTRAINT AGREEMENTS, TO EXPORT UP TO THEIR RESTRAINT LEVELS BUT WOULD EMBARGO FUTURE SHIPMENTS FROM CANADA. OPTION 3 WOULD PERMIT ALL COUNTRIES WITH WHICH WE HAVE AGREEMENTS TO EXPORT UP TO THEIR RESTRAINT LEVELS AND ALLOW CANADA TO SHIP UP  
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TO ITS ESTIMATED LEVEL.

THE FOREIGN POLICY CONSEQUENCES OF BOTH OF THE QUOTA OPTIONS WOULD BE SERIOUSLY ADVERSE. UNDER THESE OPTIONS WE WOULD BE VIOLATING BOTH BILATERAL AGREEMENTS AND OUR GATT OBLIGATIONS. WE WOULD EXACERBATE RELATIONS WITH AUSTRALIA AND THE OTHER TEN COUNTRIES WITH WHICH WE HAVE AGREEMENTS AND WITH CANADA. WE WOULD THEREFORE

INVITE TRADE DISPUTES AND RETALIATION AND WE WOULD HAVE EFFECTIVELY TURNED OUR BACKS ON THE STEPS FRASER HAS TAKEN TO IMPROVE AUSTRALIAN-U.S. RELATIONS. USE OF QUOTAS TO DEAL WITH THE POLITICAL PROBLEMS CAUSED BY THE DOMESTIC MEAT SITUATION WOULD HAVE CONSEQUENCES

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DISPROPORTIONATE TO THE END SOUGHT. IT COULD CREATE MAJOR DIFFICULTIES IN FOREIGN RELATIONS AND TRADE POLICY WITH NO SUBSTANTIVE BENEFIT TO THE CATTLEMEN. USDA IS NONETHELESS PRESSING QUOTAS AS AN APPROPRIATE POLITICAL RESPONSE TO THE CONCERN OF THE CATTLEMEN. THEY AND THEIR ALLIES ARE SEEKING A PRESIDENTIAL DECISION ON MEAT IMPORTS IN TIME FOR THE PRESIDENT TO ANNOUNCE IT WHEN HE VISITS TEXAS ON FRIDAY AND MEETS WITH CATTLE INTERESTS. I AM MEETING IN THE WHITE HOUSE THURSDAY MORNING TO COMPLETE THE PREPARATION OF THE OPTIONS PAPER FOR THE PRESIDENT. THERE IS A DANGER THAT AGRICULTURE OR OTHERS MAY ATTEMPT A POWER PLAY TO INFLUENCE A DECISION WITHOUT ADEQUATE DELIBERATIONS. THEREFORE, I HAVE SUGGESTED TO CHUCK ROBINSON THAT HE TELEPHONE SCOWCROFT TO URGE FULL CONSIDERATION OF THE OPTIONS.

RECOMMENDATION:

THAT YOU DISCUSS THE PROBLEM WITH THE SECRETARY, A;D THAT YOU RECOMMEND THAT HE CALL SCOWCROFT TO POINT OUT THE ILL EFFECTS OF ANY PREMATURE DECISIONS ON OR PROMISES ABOUT QUOTAS.

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DISAPPROVE

DRAFTED: EB/OFP:JAFERCH/PDTAYLOR:JO

CLEARED: S - MR PASSAGE; E - MR MINNIES

ROBINSON

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## Message Attributes

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